

AMENDED IN SENATE APRIL 2, 2009

SENATE BILL

No. 56

Introduced by Senator Alquist

January 20, 2009

An act to add Section 1347 to, and to add Chapter 1.6 (commencing with Section 155) to Part 1 of Division 1 of, the Health and Safety Code, relating to health-care benefits.

LEGISLATIVE COUNSEL'S DIGEST

SB 56, as amended, Alquist. ~~Health care.~~ *California Health Benefits Service Program.*

Existing law creates various health benefits programs administered by the Managed Risk Medical Insurance Board and the State Department of Health Care Services.

The bill would create the California Health Benefits Service Program within the State Department of Health Care Services for the purpose of expanding cost-effective public health coverage options to the uninsured and purchasers of health insurance. The bill would require the department to perform various duties, subject to the availability of sufficient private donations, as determined by the Department of Finance, relative to creation of joint ventures between certain county-organized health plans and various other entities. The bill would require these joint ventures to be licensed as health care service plans and, subject to the availability of sufficient private donations, as determined by the Department of Finance, would create a stakeholder committee, as specified. The bill would also authorize the Director of Managed Health Care to provide regulatory and program flexibilities to facilitate licensing of specified entities providing coverage pursuant to the bill.

~~Existing law does not provide a system of universal health care coverage for California residents. Existing law provides for the creation of various programs to provide health care services to persons who have limited incomes and meet various eligibility requirements. These programs include the Healthy Families Program administered by the Managed Risk Medical Insurance Board and the Medi-Cal program administered by counties and the State Department of Health Care Services. Existing law provides for the regulation of health care service plans by the Department of Managed Health Care and health insurers by the Department of Insurance.~~

~~This bill would make legislative findings and declarations regarding health care coverage and would declare the intent of the Legislature to enact and implement comprehensive reforms in the state's health care delivery system, as specified.~~

Vote: majority. Appropriation: no. Fiscal committee: ~~no~~-yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. (a) The Legislature finds and declares as follows:
- 2 (1) Due to the economic downturn, hundreds of thousands of
- 3 Californians are joining the ranks of the uninsured or are looking
- 4 to publicly financed programs for their health care coverage.
- 5 (2) Compared to persons with health care coverage, the
- 6 uninsured are less likely to have a regular source of care, are likely
- 7 to delay seeing a doctor, and are less likely to receive preventive
- 8 health care services.
- 9 (3) Based on recent data collected by the Kaiser Family
- 10 Foundation, health care costs continue to rise at a faster rate than
- 11 general inflation and average wage growth.
- 12 (4) President Obama has pledged to seek the adoption of major
- 13 health care reforms at the national level, which are likely to include,
- 14 at a minimum, additional funding for states as well as increased
- 15 flexibility for states in how they administer their health care
- 16 systems.
- 17 (b) In light of these findings, it is the intent of the Legislature
- 18 to enact and implement comprehensive reforms in the state's health
- 19 care delivery system by 2012 that will accomplish all of the
- 20 following:

1 (1) Ensure that all Californians have access to affordable, high
2 quality health care coverage.

3 (2) Ensure that the responsibility for providing and paying for
4 health care coverage is equitably shared between employers,
5 individuals, and government.

6 (3) Help contain the long-range rate of growth of health care
7 costs.

8 (4) Reform insurance underwriting and rating practices by
9 reducing the use of medical status or conditions as criteria for the
10 offering or rating of individual insurance products.

11 (5) Improve the health status of Californians and reduce health
12 disparities over time.

13 (6) Ensure fair and adequate payments to health care providers
14 who provide services under the state's publicly funded health care
15 programs.

16 (c) It is further the intent of the Legislature to enact specific
17 reforms by 2010 that will help provide a foundation for any
18 successful health care reform in California, and that will
19 accomplish all of the following:

20 (1) Ensure that all children in the state have access to affordable,
21 high quality health care coverage.

22 (2) Encourage greater use of electronic medical records and
23 other health information technology by health care providers.

24 (3) Make comparative health care cost and quality data more
25 readily available to consumers and purchasers.

26 (4) Make it easier for individuals and small employers to shop
27 for and compare the benefits and costs of competing health plans.

28 (5) Allow all workers to set aside money to pay for health care
29 coverage on a pretax basis.

30 (6) Begin to draw down federal funds that are available for
31 covering low-income adults and families.

32 (7) Reduce the use of medical underwriting in the individual
33 health insurance market, cap health care service plans' and insurers'
34 administrative costs and profits, and establish minimum benefit
35 standards for health plans offered in the state.

36 (8) Allow health plans and employers to offer incentives for
37 enrollees to enroll in and use preventive health care programs that
38 will improve their health.

39 (9) Address health care workforce shortages and better prepare
40 persons for careers in the health care delivery system.

(10) Facilitate the formation of public insurer entities, including through better integration of county local initiatives and organized health systems.

SEC. 2. Chapter 1.6 (commencing with Section 155) is added to Part 1 of Division 1 of the Health and Safety Code, to read:

CHAPTER 1.6. CALIFORNIA HEALTH BENEFITS SERVICE

155. (a) The California Health Benefits Service Program is hereby created within the State Department of Health Care Services for the purpose of expanding cost-effective public health coverage options to the uninsured and purchasers of health insurance, including individuals, families, employers, and other health plan sponsors. The program shall do all of the following:

(1) Identify statutory, regulatory, or financial barriers or incentives that should be addressed to facilitate the establishment and maintenance of one or more joint ventures between health plans that contract with, or are governed, owned, or operated by, a county board of supervisors, a county special commission, a county-organized health system, or a county health authority authorized by Section 14018.7, 14087.31, 14087.35, 14087.36, 14087.38, 14087.96, or Article 2.8 (commencing with Section 14087.5) of Chapter 7 of Part 3 of Division 9 of the Welfare and Institutions Code, as well as the County Medical Services Program.

(2) Identify statutory, regulatory, or financial barriers or incentives that should be addressed before joint ventures among these health plans may be formed, or existing health plans or the County Medical Services Program may expand to serve other geographic areas, for the purposes of providing public health care services in counties where there is not a local initiative or county-organized health plan that contracts with the State Department of Health Care Services or the County Medical Services Program, participating in these joint ventures.

(3) Report these initial findings to the committees of jurisdiction in the Senate and Assembly on or before November 1, 2010.

(4) Provide technical assistance to local health care delivery entities, including local initiatives, county-organized health systems, and the County Medical Services Program, to support joint ventures and efforts by these entities to expand to serve other geographic areas and specified populations, or to contract with

1 providers to provide health care services in counties where there
2 is not a local initiative or county-organized health plan that
3 contracts with the State Department of Health Care Services that
4 opts to participate in such joint ventures, or participation from
5 the County Medical Services Program.

6 (5) Consistent with the report and recommendations provided
7 pursuant to this section and consistent with existing law, the
8 department may enter into contracts with joint ventures authorized
9 pursuant to this section to provide medical services to specified
10 populations, as determined by the program.

11 (b) Health plans that contract with or are governed, owned, or
12 operated by, a county board of supervisors, a county special
13 commission, a county-organized health system, or county health
14 authority authorized by Section 14018.7, 14087.31, 14087.35,
15 14087.36, 14087.38, 14087.96, or Article 2.8 (commencing with
16 Section 14087.5) of Chapter 7 of Part 3 of Division 9 of the Welfare
17 and Institutions Code, and the County Medical Services Program,
18 may form joint ventures to create integrated networks of public
19 health plans that pool risk and share networks.

20 (1) In forming joint ventures, participating health plans shall
21 seek to contract with designated public hospitals, county health
22 clinics, community health centers, and other traditional safety net
23 providers.

24 (2) All joint ventures and health care networks established
25 pursuant to this section shall seek licensure as a health care service
26 plan consistent with the Knox-Keene Health Care Service Plan
27 Act of 1975 (Chapter 2.2 (commencing with Section 1340) of
28 Division 2 of this code). Prior to commencement of enrollment,
29 the joint venture or health care network shall be licensed pursuant
30 to that act.

31 (3) No more than two joint ventures shall be established
32 pursuant to this section until the California Health Benefits Service
33 Program submits its initial findings to the Senate and Assembly
34 pursuant to paragraph (3) of subdivision (a).

35 (c) (1) There is hereby created the California Health Benefits
36 Service Program Stakeholder Committee. The committee shall be
37 comprised of 10 members appointed as follows:

38 (A) The Director of Health Care Services shall appoint six
39 members, including two representatives of local initiatives
40 authorized under the Welfare and Institutions Code, a

1 *representative of county-organized health systems, a representative*
2 *of the County Medical Services Program, a representative of health*
3 *care providers, and a representative of employers.*

4 *(B) The Senate Committee on Rules shall appoint two members,*
5 *including a labor representative and a representative of health*
6 *care consumers.*

7 *(C) The Speaker of the Assembly shall appoint two members,*
8 *including a representative of local initiatives authorized under the*
9 *Welfare and Institutions Code, and a representative of organized*
10 *labor.*

11 *(2) The committee shall meet at least quarterly to provide input*
12 *to the program and assist the program in carrying out its*
13 *responsibilities as outlined in this section.*

14 *(3) The members of the committee shall serve without*
15 *compensation, and no public funds may be used to compensate*
16 *members for expenses.*

17 *(d) On or before November 1, 2010, and annually thereafter,*
18 *the department shall update the committees of jurisdiction in the*
19 *Senate and Assembly on implementation of this section and make*
20 *recommendations, as applicable, on changes necessary to*
21 *implement this section. The update shall also include progress on*
22 *the purpose of this section and recommendations on resources,*
23 *policy, and legislative changes necessary to build and implement*
24 *a system of public health coverage throughout California. The*
25 *update shall describe the projects proposed or established pursuant*
26 *to this section, including, but not limited to, the participating*
27 *providers, the groups covered, the physicians and hospitals in the*
28 *network, and the counties served.*

29 *(e) The committee shall consult with relevant departments,*
30 *including the Department of Managed Health Care, in the*
31 *implementation of this chapter.*

32 *(f) Nothing in this section shall be construed to prohibit any*
33 *other licensed health care service plan not mentioned in*
34 *subdivisions (b) and (c) from entering into joint ventures or*
35 *contracts with the State Department of Health Care Services to*
36 *provide services in counties in which there is not a Medi-Cal*
37 *managed care health plan that contracts with the department.*

38 *(g) No public funds shall be used to implement the duties*
39 *described in paragraphs (1) to (4), inclusive, of subdivision (a),*
40 *or to support the activities of the committee established pursuant*

1 to subdivision (c). The department shall implement the duties
2 described in paragraphs (1) to (4), inclusive, of subdivision (a),
3 and shall convene the committee established pursuant to
4 subdivision (c), only upon a determination made by the Department
5 of Finance that private donations in an amount sufficient to fully
6 support these duties and activities have been deposited with the
7 state.

8 SEC. 3. Section 1347 is added to the Health and Safety Code,
9 to read:

10 1347. The director is authorized to provide regulatory and
11 program flexibilities to facilitate new, modified, or combined
12 licenses of local initiatives and county-organized health systems,
13 and the County Medical Services Program created pursuant to
14 this chapter or the California Health Benefits Service Program,
15 that seek licensure for regional or statewide networks for the
16 purposes of contracting with the Managed Risk Medical Insurance
17 Board, or for the purposes of providing coverage in the individual
18 and group coverage markets. In providing those flexibilities, the
19 director shall ensure that the health plans established pursuant to
20 this section meet essential financial, capacity, and consumer
21 protection requirements of this chapter.